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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

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MAY 18 2012

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IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION FOR
THE ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF ITS PROPERTIES THROUGHOUT
ARIZONA.

Docket No. G-01551A-10-0458

NOTICE OF ERRATA

RUCO wishes to make the following correction to the portion of its April 23, 2012
filing repeated below:

"RUCO is concerned with SW Gas's request to increase its EE budget to
\$16.5 million. This is a 300% increase over current spending levels of \$4.8
million.

SW Gas's EE program budget has expenditures have grown steadily over
the last several years.¹"

EXPLANATION OF CORRECTION

Until recently, SW Gas DSM spending did not match its approved budget. For
example, in 2008 the Commission approved a \$3,160,000 budget, but SW Gas spent only
\$939,293.

¹ Data taken from SW Gas Application to Revise its EE and LIRA Rates (Docket No. G-01551A-12-0037, p. 4)

1 SW Gas has made the following expenditures for its DSM programs from 2007
2 through 2011:

3 2007	\$1,028,519	(Dec. No. 70959, FoF 8)
4 2008	\$939,293	(Dec. No. 70959, FoF 8)
5 2009	\$1,405,762	(SW Gas DSM Application, Docket No. G-01551A-12-0037, p. 4, See also 6 Dec. No. 72257 FoF 13)
7 2010	\$1,408,190	(SW Gas DSM Application, Docket No. G-01551-12-0037, p. 4, See also 8 Dec. No 72257 FoF 13)
9 2011	\$4,800,000	(Dec. No. 72257, FoF 8)

10 The Commission approved a 2008 DSM budget of \$3,160,000² and a 2009 DSM
11 budget of \$4.4 million.³ Furthermore, the Commission anticipated increasing the DSM
12 budget by \$1 million each year until reaching \$7.4 million in 2012.⁴ In 2008 and 2009, the
13 Commission set the DSM adjustor rate to collect sufficient revenues to match these
14 budgets. However, the Commission quickly reduced SW Gas's 2009 DSM budget to
15 \$1.25 million because historical spending was well below the approved budget.⁵ The large
16 difference between the DSM budgets and DSM spending resulted in a sizeable surplus of
17 ratepayer supplied funds in the SW Gas DSM bank balance which still exists today. In
18 2011, SW Gas's expenditure of \$4.8 million largely matched the Commission-approved
19 budget of \$4.7 million. (Dec. No. 72257, FoF 8).

22 ² Decision No. 70959, FoF 7

23 ³ Decision No. 70665, pp. 48-49

24 ⁴ Id.

⁵ Dec. No. 70959, FoF 8 ("Southwest's actual spending on DSM programs in 2008 was well below the budgets approved by the Commission for most of Southwest's DSM programs. Thus, it is doubtful that Southwest's projection of spending the full \$4.4 million will come to fruition in 2009.")

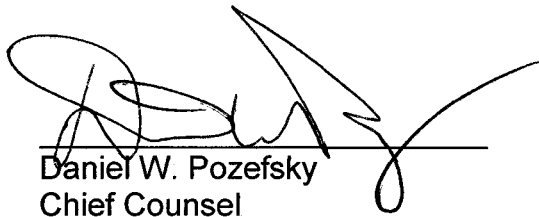
1 **RUCO'S CONCERN FOR THE REQUESTED \$16.5 MILLION EE BUDGET REMAINS**

2 RUCO continues to assert that SW Gas's request to increase its Energy Efficiency
3 budget to \$16.5 million in order to reduce sales by 1.20% is unwarranted. SW Gas's
4 sworn testimony shows a 46.4% decline in August per customer consumption over the last
5 24 years. This decline has been steady and continuous throughout the years. (See
6 Attachment A) SW Gas anticipates continued decline separate and apart from any EE
7 programs. RUCO questions whether ratepayer funds are being used to achieve results
8 that are happening independently from the utility's EE programs. And to jump from a \$4.7
9 million budget to \$16.5 million concerns us.

10 A copy of RUCO's original April 23, 2012 filing is attached as a convenience
11 as Attachment B.

12 Finally, RUCO supports the Pierce Amendment #1 docketed April 24, 2012.

13
14 RESPECTFULLY SUBMITTED this 18th day of May, 2012.

15
16
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18 Daniel W. Pozefsky
19 Chief Counsel

20 AN ORIGINAL AND THIRTEEN COPIES
21 of the foregoing filed this 18th day
22 of May, 2012 with:

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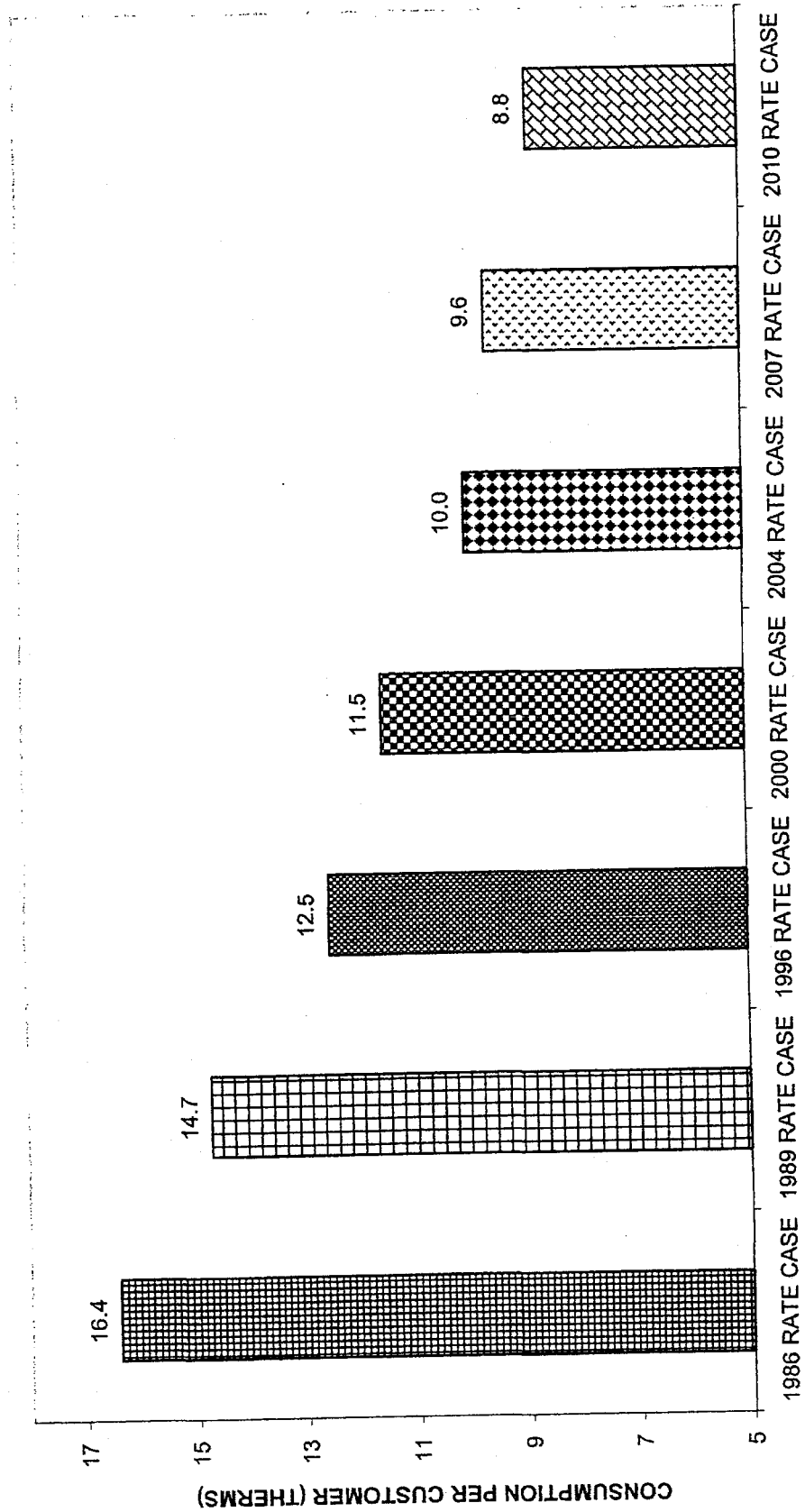
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ATTACHMENT A

ARIZONA
RESIDENTIAL GAS SERVICE (G-5 & G-6)
AUGUST RATE CASE CONSUMPTION PER CUSTOMER
1986 - 2010



1 an approximate decline of 12 therms per year between Southwest Gas's
2 2007 and 2010 rate cases. The declines in annual residential consumption
3 per customer utilized in Southwest Gas's general rate case proceedings
4 between 1986 and 2010 are graphically presented in Exhibit No.__(JLC-2).

5 Q. 25 What has been the trend in residential baseload consumption per customer
6 over the last 24 years?

7 A. 25 Between Southwest Gas's 1986 rate case and the current case, August
8 consumption per customer has declined from 16.4 therms to 8.8 therms,
9 respectively. This is a decline of 7.6 therms or 46.4 percent. The month of
10 August is the ideal month to isolate the trend in baseload consumption (e.g.
11 water heating, clothes drying, cooking) per customer since both Phoenix and
12 Tucson experience zero heating degree days during the month. August
13 consumption per customer has dropped eight-tenths of a therm or 8 percent
14 since the 2007 rate case. The significant downward trend in August
15 consumption per customer is graphically depicted in attached Exhibit
16 No.__(JLC-3). This data suggests that declining residential consumption per
17 customer is occurring with both space heating (seasonal) and baseload
18 consumption.

19 Q. 26 What are the primary reasons for the long-term downward trend in residential
20 consumption per customer over the last 24 years?

21 A. 26 The significant long-term decline in residential consumption per customer
22 occurred primarily because of continued improvements in the dwelling and
23 appliance efficiencies of Southwest Gas's customer base. Improvements in
24 energy efficiencies over the past 24 years are reflected in both new customer
25 growth and the replacement, by existing customers, of older appliances with
26 newer, more efficient appliances. Therefore, the improved energy efficiencies
27 of natural gas appliances and dwellings for both new customer additions and

1 existing customers contributed to the overall decline in residential
2 consumption per customer.

3 **V. FUTURE TREND IN RESIDENTIAL CONSUMPTION PER CUSTOMER IN ARIZONA**

4 Q. 27 What is your expectation regarding future declines in residential consumption
5 per customer?

6 A. 27 I expect that residential consumption per customer will continue to decline.
7 The continued emphasis on energy conservation to reduce energy
8 expenditures and greenhouse gas emissions makes this a plausible scenario.
9 Indeed, the Commission's recently approved gas energy efficiency standard
10 will be another factor putting increased downward pressure on consumption
11 per customer in the future.

12 Q. 28 Has Southwest Gas included a proposal in this case to mitigate the adverse
13 impact on its margin recovery associated with the anticipated continued
14 downward pressure on consumption per customer?

15 A. 28 Yes. Southwest Gas has requested implementation of a revenue decoupling
16 proposal to mitigate the adverse impact on its margin recovery due to the
17 expected continued decline in consumption per customer, and the additional
18 downward pressure on consumption per customer resulting from the
19 Company's efforts to achieve the Commission's recently approved gas
20 energy efficiency standard. Please refer to Company witnesses Edward
21 Giesecking and Bobbi Sterrett for additional information regarding the
22 Company's revenue decoupling proposal and compliance with the energy
23 efficiency standard, respectively.

24 Q. 29 Does this conclude your prepared direct testimony?

25 A. 29 Yes.

ATTACHMENT B

ORIGINAL

OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION
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2012 APR 23 PM 2 34

Arizona Corporation Commission

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PAUL NEWMAN
COMMISSIONER

APR 23 2012

BRENDA BURNS
COMMISSIONER

DOCKETED BY

MW

IN THE MATTER OF THE APPLICATION OF
SOUTHWEST GAS CORPORATION FOR
APPROVAL OF AN ENERGY EFFICIENCY
AND RENEWABLE ENERGY RESOURCE
TECHNOLOGY PORTFOLIO IMPLEMEN-
TATION PLAN, AND FOR APPROVAL TO
REVISE THE RATE COLLECTED
THROUGH ITS DEMAND-SIDE
MANAGEMENT ADJUSTOR MECHANISM.

Docket No. G-01551A-11-0344

NOTICE OF FILING RUCO'S COMMENTS

RUCO is concerned with SW Gas's request to increase its EE budget to \$16.5 million. This is a 300% increase over current spending levels.

SW Gas's EE program budget has grown steadily over the last several years.¹

2009	\$1.4 million
2010	\$1.4 million
2011	\$2.8 million
2012	\$4.7 million ²
2013	\$16.5 million (requested) ³

(SW Gas originally asked for an \$8.4 million budget but increased its request to \$16.5 million as a condition of its rate case Settlement Agreement.)

¹ Data taken from SW Gas Application to Revise its EE and LIRA Rates p. 4. (Docket No. G-01551A-12-0037)

² RUCO understands that the Commission approved an increase of the total EE budget to \$4.7 million but did not authorize an increase in the DSMAC rate to fund this budget.

³ Of the \$16.5 million budget, only \$650,000 is dedicated for low income programs. (April 10, 2012 Staff Report, p. 4)

1 SW Gas will spend \$4.7 million this year to reduce sales by 1.20% and is requesting
2 \$16.5 million to meet the 2013 goal to reduce sales by 1.80%.⁴ RUCO is acutely
3 concerned with what budget SW Gas will propose to meet the 2014 standard of 2.40%.

4 RUCO asks the Commission to consider whether it is necessary to approve such a
5 large EE budget to reduce consumption when SW Gas has testified that per customer
6 consumption has been steadily falling for reasons outside of the Commission's 2010
7 Energy Efficiency Goals and the utility's efforts to comply with that standard.

8 SW Gas acknowledges that over the last 24 years, August per customer
9 consumption has declined by 46.4%.⁵ On average, that is 1.93% a year. For most of
10 those 24 years, there was no DSMAC surcharge and no EE standard. This reduction is a
11 result of improved technology and normal competitive marketplace pressures to make
12 appliances more efficient. New construction housing became better, and consumption
13 levels dropped.

14 By SW Gas's own testimony, per customer consumption levels will continue to fall
15 outside of any additional efforts pursuant to Commission EE standard.

16
17 "Between Southwest Gas's 1986 rate case and the current case, August
18 consumption per customer has declined from 16.4 therms to 8.8 therms,
19 respectively. This is a decline of 7.6 therms or 46.4%. The month of August
is the ideal month to isolate the trend in baseload consumption..."

20 "The significant long term decline in residential consumption per customer
21 occurred primarily because of continued improvements in the dwelling and
22 appliance efficiencies. Improvements in energy efficiencies over the past 24
years are reflected in both new customer growth and the replacement by
existing customers of older appliances with newer more efficient appliances.

23
24 ⁴ See R14-2-2504. RUCO applauds Staff's recommendation to deny measures submitted by SW Gas that are not cost effective and
that fell far below the minimum threshold calculation of 1.0 to reduce the budget to \$13.4 million.

⁵ SW Gas Application to Increase Rates, Direct Testimony of Witness Cattanaach, p. 9

1 Thus, the improved energy efficiencies of natural gas appliances and
2 dwellings for both new customer additions and existing customers
contributed to the overall decline in residential consumption per customer.

3 "I expect that residential consumption per customer will continue to decline.
4 The continued emphasis on energy conservation to reduce energy
5 expenditures and greenhouse gas emissions makes this a plausible
6 scenario. Indeed the Commission's recently approved gas energy efficiency
standard will be **another factor** putting increased downward pressure on
consumption per customer in the future."

7 "Southwest Gas has requested implementation of a revenue decoupling
8 proposal to mitigate the adverse impact on its margin recovery due to the
9 expected continued decline on consumption per customer **and the**
additional downward pressure on consumption per customer resulting from
the Company's efforts to achieve the Commission's recently approved gas
energy efficiency standard." (emphasis added)

10 Direct Testimony of Mr. Cattnach, pp. 9-10
SW Gas Rate Case (Docket No. G-01551A-10-0458)

11
12 Replacement of old or broken appliances with newer, more efficient appliances
13 occurs as a normal matter of course and will happen with or without ratepayer funded
14 rebates. With that said, RUCO finds that is a good thing to encourage people to buy the
15 most energy efficient products available. And perhaps a rebate will help a customer
16 choose an even more efficient model or buy it a bit sooner than he would otherwise.
17 RUCO also believes the rebates as well as the weatherization program are particularly
18 important for low income customers. For these reasons, RUCO supports the existing policy
19 to provide some level of ratepayer funded financial incentive to purchase newer
20 appliances.

21 RUCO does not intend for these comments to be critical of the EE Standard.
22 However, RUCO questions whether ratepayer funds are being used to achieve results that
23 are happening independently from that Standard. And to go from \$4.7 million to \$16.5
24 million to do this concerns us.

1 RUCO believes the issue of whether a \$16.5 million budget paid by ratepayers to
2 promote an already existing decline in natural gas sales deserves further debate prior to
3 the funding of any expansion of SW Gas's EE programs. Until then, SW Gas's DSMAC
4 should not be increased beyond that which is needed to fund its currently approved budget
5 of \$4.7 million.

6 Alternatively, RUCO respectfully contends that the Commission should not approve
7 programs that do not meet the Commission's minimum threshold for cost effectiveness.

8 Both the September 30, 2011 Staff Report for SW Gas's "Modified Plan" and the
9 April 10, 2012 Staff Report for SW Gas's "New Revised Plan" recommend approval of
10 measures that are not cost effective. The Commission should reject the following
11 programs:

12
13 **September 30, 2011 Staff Report (P. 6)**

	Benefit-cost ratio
15 Tankless Water Heater	0.94
16 Attic Insulation	0.97

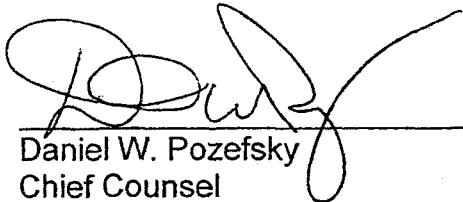
17 **April 10, 2012 Staff Report (P. 8)**

	Benefit-cost ratio
19 Lavatory Aerator	0.95

21 While these are "very close", they are still not cost effective. Ratepayer funds
22 deserve to pay for programs that are cost effective and that reduce consumption outside of
23
24

1 existing downward pressures that has reduced demand for natural gas over the last few
2 decades.

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4 RESPECTFULLY SUBMITTED this 23rd day of April, 2012.

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7 Daniel W. Pozefsky
8 Chief Counsel

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